

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
February 11, 2009
Room 415, State Capitol Building, State Capitol Complex**

MEMBERS PRESENT: Sen. Dennis Stowell, Co-Chair
Rep. Kerry W. Gibson, Co-Chair
Rep. Roger Barrus
Rep. Jack Draxler
Rep. James R. Gowans
Rep. John G. Mathis
Rep. Michael E. Noel
Rep. Christine Watkins
Rep. Brad Winn

MEMBERS ABSENT: Sen. Brent Goodfellow
Sen. David Hinkins

STAFF: Ivan Djambov, Fiscal Analyst
Linda Service, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Rep. Gibson called the meeting to order at 2:05 p.m.

Report on Fleet Operations: DNR

Mike Styler, Executive Director, Department of Natural Resources, spoke to the assignment given at the special budget session 2008, for the Department to explore savings in transportation by studying costs within the motor pool fleet and report back to the Natural Resources Appropriations Committee during the 2009 General Session. He introduced Paul Lauria and Janis Christensen of Mercury Associates, an independent consulting firm. The Department is looking for innovative ways to reduce costs of its fleet while maintaining an acceptable level of service for employees who utilize those assets to perform their duties. Mercury Associates is an employee-owned fleet manager consulting firm. Their primary business is to help organizations reduce fleet costs and improve fleet performance. Margaret Chambers, Director, Utah Fleet Operation and Fleet Administration, responded to questions and concerns from committee members. Alternative strategies were discussed and it was suggested Director Styler proceed with a cost reduction analysis.

Report on Washington D. C. Meetings: Mike Mower

Mike Mower, State Planning Coordinator, commented on his meeting in Washington D. C. with the Department of Interior in which he expressed profound concern over the action taken by Secretary Salazar in withdrawing leases of the BLM 2008 Sale. He responded to questions from the Committee.

School and Institutional Trust Lands Administration: Analyst's Presentation

Ivan Djambov, Fiscal Analyst, presented the Compendium of Budget Information for the 2009

General Session, Line Item: School and Institutional Trust Lands and Line Item: SITLA Capital. SITLA was established as a quasi-governmental, independent state agency to manage all school and institutional trust lands and associated assets awarded to the state by the federal government. A seven-member Board of Trustees establishes the agency's policies. Funding for operations is provided through the Land Grant Management Fund which consists of revenues provided from trust land activities other than land sales and revenues from other activities of the Administration. The Analyst discussed sources of finance and categories of expenditures among the various SITLA programs.

The Analyst reviewed Report on Prior Year Funding Increases, 2009 General Session, Funding to be Spent in FY 2008 and Budget Brief: SITLA. He dealt with four budget issues and gave recommendations: (1) Temporary RS2477 Resource Specialist - the Analyst recommended the Subcommittee provide for FY 2010 a one-time appropriation of \$46,400. (2) Coal Study - the Analyst recommended the Subcommittee appropriate for FY 2010 a one-time appropriation of \$200,000 for a study that will conduct drilling on a trust lands coal tract and assess the feasibility of the resource base for future mining opportunities. (3) Mine Safety Evaluation - the Analyst recommended the funding of a \$50,000 one-time appropriation for FY 2010 to hire professional and technical services to evaluate and remediate potential hazards on mines located on trust lands be provided. (4) Land Exchange Funding - the Analyst recommended that in FY 2010 the Legislature eliminate the \$200,000 ongoing funding, which will increase the permanent trust fund by that amount.

Agency Presentation

Kevin Carter, Director, SITLA, introduced John Ferry, Chairman, Board of Trustees and John Scales, Vice Chair. Director Carter discussed current markets and how they affect the agency. They have two land sales yearly, however, the spring sale has been cancelled due to the slow market. He presented a market analysis detailing surface activities, mineral activities, ongoing bright spots, opportunities, and budget issues, including one-time expenditures. He spoke to the Land Exchange Funding issue and requested the \$200,000 remain in the budget.

School and Institutional Trust Lands Administration Bonuses: Analyst's Presentation

The Analyst presented Issue Brief: SITLA Bonuses. SITLA began its bonus program after the agency's separation from DNR with the intention to provide motivation for its employees to increase revenues. They have been successful in generating revenues for the beneficiaries, and its success has sometimes been attributed to the bonus program. However, the Analyst has not seen any research supporting that claim. There are strong indications that other factors, such as a growing economy and high prices for natural resources, have been the main reasons for increased revenues. He discussed executive and staff bonuses, revenue goals, and base salaries. Based on the information in his document, the Analyst recommended that the Legislature: (1) eliminate the ongoing funding for the bonus program by reducing SITLA's base budget in FY 2010 by \$269,500, and (2) allow future funding for bonuses on a supplemental basis as recommended by SITLA board, approved by the beneficiaries, and appropriated by the Legislature.

School and Institutional Trust Lands Administration Bonuses: Agency Presentation

John Ferry, Chairman, SITLA Board of Trustees, together with John Scales, represented the Board of Trustees. Chairman Ferry responded to the Analyst's presentation with the handout SITLA Executive Staff Bonuses. He indicated that the incentive bonuses are a vehicle to help successfully reach their goals. In light of the current economic climate, however, he recommended that \$120,000 budgeted for the executive bonus program be deleted from the FY 2010 appropriation request.

Patti Harrington, State Superintendent of Public Instruction, responded to a question from the Committee regarding beneficiaries of the bonus program. In the past, the State Board of Education has supported the program. They do feel, however, this is a year the bonus program ought to be questioned based upon the revenue changes. They would want more information before becoming involved in any significant way.

Lynn Stevens, Commissioner, San Juan County, spoke in support of the bonus program.

Becky Bruso, Governor's Office of Planning and Budget, responded to questions from the Committee relative to the bonus program. The governor is amenable to the recommendation from the Fiscal Analyst's Office of a no bonus policy for a year on all accounts during the current fiscal situation.

Funding Options for Fire Suppression: DNR Presentation

Dick Buhler, State Forester/Director, Utah Division of Forestry, Fire and State Lands, discussed the implementation of a task force to study funding options for fire suppression. Steve Schwendiman, representative from the Office of the Attorney General, discussed the current funding mechanism which is disjointed and hard to understand. The task force proposes to simplify the funding for wildland fire cost payments. It asks the Legislature to agree to cap the amount of revenue going into the General Fund from insurance premiums and move monies received over and above that cap into a special earmarked account for wildland fire. The benefits of the proposal are: no new funding, no tax increases, participation of cities, serving all wildland, and a simplified structure. Steve Lutz, Utah Valley University and Unified Fire and Rescue Academy, further clarified concerns of the Committee regarding participation by all counties. Mark Ward, Utah Association of Counties, spoke to the proposal suggesting the insurance premiums be weighted because some areas are more interfaced with wildfire.

Division of Forestry, Fire, and State Lands: Analyst's Presentation

The Analyst presented the Budget Brief: Forestry, Fire, and State Lands, along with the Issue Brief: Forestry, Fire, and State Lands: Fees. He suggested the committee members focus on two items for funding in the Budget Brief: (1) The Analyst recommended the Subcommittee place the request for a \$4 million supplemental appropriation for FY 2009 from the General Fund on its funding priority list for the Executive Appropriations Committee. (2) The Division

is requesting an ongoing appropriation from the Sovereign Lands Management restricted fund to pay its annual fees to the Utah Lake Commission. The Analyst recommended the Committee appropriate for FY 2010 ongoing \$40,000 from the restricted account for the fees.

Division of Forestry, Fire, and State Lands: Agency Presentation

Dick Buhler commented on several handouts: Protecting Your Home and Property from Wildfire video, Prepare for Wildfire pamphlet, Utah's Report Card, National Fire Plan Initiative, and Tree City USA Bulletin. He discussed major successes and accomplishments during the past year and issues and challenges in the future for the Division. He suggested committee members review the handouts detailing fire management, forestry programs, and sovereign and state lands management and responded to questions from committee members.

MOTION: Rep. Watkins moved to adjourn at 5:15 p.m. The motion passed.

Sen. Dennis Stowell, Co-Chair

Rep. Kerry W. Gibson, Co-Chair